Vulcan Materials CO
Form 10-K
February 28, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2012

Commission file number: 001-33841

VULCAN MATERIALS COMPANY

(Exact Name of Registrant as Specified in Its Charter)

New Jersey	**20-8579133**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Urban Center Drive, Birmingham, Alabama 35242

(Address of Principal Executive Offices) (Zip Code)

(205) 298-3000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $1 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X .

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer X	Accelerated filer ___
Non-accelerated filer ___	Smaller reporting company ___

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No X

Aggregate market value of voting and non-voting common stock held by non-affiliates as of June 30, 2012:	$ 5,118,918,572
Number of shares of common stock, $1.00 par value, outstanding as of February 14, 2013:	129,872,017

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s annual proxy statement for the annual meeting of its shareholders to be held on May 10, 2013, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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VULCAN MATERIALS COMPANY

ANNUAL REPORT ON FORM 10-K

FISCAL YEAR ENDED DECEMBER 31, 2012

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Unless otherwise stated or the context otherwise requires, references in this report to Vulcan, the company, we, our, or us refer to Vulcan Materials Company and its consolidated subsidiaries.

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PART I

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain of the matters and statements made herein or incorporated by reference into this report constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All such statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect our intent, belief or current expectation. Often, forward-looking statements can be identified by the use of words such as anticipate, may, believe, estimate, project, expect, intend and words of similar addition to the statements included in this report, we may from time to time make other oral or written forward-looking statements in other filings under the Securities Exchange Act of 1934 or in other public disclosures. Forward-looking statements are not guarantees of future performance, and actual results could differ materially from those indicated by the forward-looking statements. All forward-looking statements involve certain assumptions, risks and uncertainties that could cause actual results to differ materially from those included in or contemplated by the statements. These assumptions, risks and uncertainties include, but are not limited to:

§ cost reductions, profit enhancements and asset sales, as well as streamlining and other strategic actions we adopted, will not be able to be realized to the desired degree or within the desired time period and that the results thereof will differ from those anticipated or desired

§ uncertainties as to the timing and valuations that may be realized or attainable with respect to planned asset sales

§ general economic and business conditions

§ the timing and amount of federal, state and local funding for infrastructure

§ changes in our effective tax rate that can adversely impact results

§ the increasing reliance on information technology infrastructure for our ticketing, procurement, financial statements and other processes can adversely effect operations in the event that the infrastructure does not work as intended or experiences technical difficulties

§ the impact of the state of the global economy on our business and financial condition and access to capital markets

§ changes in the level of spending for residential and private nonresidential construction

§ the highly competitive nature of the construction materials industry

§ the impact of future regulatory or legislative actions

§ the outcome of pending legal proceedings

§ pricing of our products

§ weather and other natural phenomena

§ energy costs

§ costs of hydrocarbon-based raw materials

§ healthcare costs

§ the amount of long-term debt and interest expense we incur

§ changes in interest rates

§ the impact of our below investment grade debt rating on our cost of capital

§ volatility in pension plan asset values and liabilities which may require cash contributions to our pension plans

§ the impact of environmental clean-up costs and other liabilities relating to previously divested businesses

§ our ability to secure and permit aggregates reserves in strategically located areas

§ our ability to manage and successfully integrate acquisitions

§ the potential of goodwill or long-lived asset impairment

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- § the potential impact of future legislation or regulations relating to climate change, greenhouse gas emissions or the definition of minerals

- § the risks set forth in Item 1A Risk Factors, Item 3 Legal Proceedings, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 12 Other Commitments and Contingencies to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data, all as set forth in this report

- § other assumptions, risks and uncertainties detailed from time to time in our filings made with the Securities and Exchange Commission

All forward-looking statements are made as of the date of filing or publication. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are cautioned not to rely unduly on such forward-looking statements when evaluating the information presented in our filings, and are advised to consult any of our future disclosures in filings made with the Securities and Exchange Commission and our press releases with regard to our business and consolidated financial position, results of operations and cash flows.

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ITEM 1
BUSINESS

Vulcan Materials Company is a New Jersey corporation and the nation s largest producer of construction aggregates: primarily crushed stone, sand, and gravel. We have 341 active aggregates facilities. We also are a major producer of asphalt mix and ready-mixed concrete as well as a leading producer of cement in Florida.

VULCAN S VALUE PROPOSITION

We are the leading construction materials business in the country with superior aggregates operations. Our leading position is based upon:

§ being the largest aggregates producer in the U.S.

§ having a favorable geographic footprint that provides attractive long-term growth prospects

§ having the largest proven and probable reserve base

§ having operational expertise and pricing discipline which provides attractive unit profitability

STRATEGY FOR EXISTING AND NEW MARKETS

§ Our aggregates reserves are strategically located throughout the United States in high-growth areas that are projected to grow faster than the national average and that require large amounts of aggregates to meet construction demand. Vulcan-served states are estimated to generate 75% of the total growth in U.S. population and 70% of the total growth in U.S. household formations between 2010 and 2020. Our top ten revenue producing states in 2012 were Alabama, California, Florida, Georgia, Illinois, North Carolina, South Carolina, Tennessee, Texas and Virginia.

U.S. DEMOGRAPHIC GROWTH 2010 TO 2020, TOP 10 BY STATE

	POPULATION		HOUSEHOLDS		EMPLOYMENT	
		Share of Total		Share of Total		Share of Total
Rank	State	U.S. Growth	State	U.S. Growth	State	U.S. Growth
1	**Texas**	**16%**	**Texas**	**13%**	**Texas**	**14%**
2	**California**	**14%**	**Florida**	**13%**	**California**	**10%**
3	**Florida**	**13%**	**California**	**12%**	**Florida**	**8%**
4	**North Carolina**	**6%**	**North Carolina**	**5%**	New York	6%
5	**Georgia**	**6%**	**Arizona**	**5%**	**Georgia**	**4%**
6	**Arizona**	**5%**	**Georgia**	**5%**	**North Carolina**	**4%**
7	Nevada	3%	**Virginia**	**3%**	**Arizona**	**3%**
8	**Virginia**	**3%**	Washington	3%	Ohio	3%
9	Washington	3%	Colorado	2%	**Pennsylvania**	**3%**

10	Colorado	2%	Oregon	2%	**Virginia**	**3%**
Top10 Subtotal		70%		62%		58%
Vulcan States in Top 10:		**62%**		**55%**		**49%**
Al l States Served by Vulcan:		75%		70%		63%

Notes: Vulcan-served states shown in bolded blue text. Due to rounding, subtotals may not equal the sum of individual states.

Source: Moody s Analytics as of November 12, 2012

§ We take a disciplined approach to strengthening our footprint by increasing our presence in metropolitan areas that are expected to grow most rapidly and divesting assets that are no longer considered part of our long-term growth strategy.

§ Where practical, we have operations located close to our local markets because the cost of trucking materials long distances is prohibitive. Approximately 81% of our total aggregates shipments are delivered exclusively from the producing location to the customer by truck, and another 12% are delivered by truck after reaching a sales yard by rail or water.

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COMPETITORS

We operate in an industry that generally is fragmented with a large number of small, privately-held companies. We estimate that the ten largest aggregates producers account for approximately 30% to 35% of the total U.S. aggregates production. Despite being the industry leader, Vulcan s total U.S. market share is less than 10%. Other publicly traded companies among the ten largest U.S. aggregates producers include the following:

§ Cemex S.A.B. de C.V.

§ CRH plc

§ HeidelbergCement AG

§ Holcim Ltd.

§ Lafarge

§ Martin Marietta Materials, Inc.

§ MDU Resources Group, Inc.

Because the U.S. aggregates industry is highly fragmented, with over 5,000 companies managing almost 10,000 operations, many opportunities for consolidation exist. Therefore, companies in the industry tend to grow by acquiring existing facilities to enter new markets or by enhancing their existing market positions.

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BUSINESS STRATEGY

Vulcan provides the basic materials for the infrastructure needed to expand the U.S. economy. Our strategy is based on our strength in aggregates. Aggregates are used in all types of construction and in the production of asphalt mix and ready-mixed concrete. Our materials are used to build the roads, tunnels, bridges, railroads and airports that connect us, and to build the hospitals, churches, shopping centers, and factories that are essential to our lives and the economy. The following graphs illustrate the relationship of our four operating segments to sales.

AGGREGATES-LED VALUE CREATION   2012 NET SALES

** Represents sales to external customers of our aggregates and our downstream products that use our aggregates.*

Our business strategies include: 1) aggregates focus, 2) coast-to-coast footprint, 3) profitable growth, 4) tightly managed operational and overhead costs, and 5) effective land management.

1. AGGREGATES FOCUS

Aggregates are used in virtually all types of public and private construction projects and practically no substitutes for quality aggregates exist. Our focus on aggregates allows us to:

§ **BUILD AND HOLD SUBSTANTIAL RESERVES**: The locations of our reserves are critical to our long-term success because of barriers to entry created in many metropolitan markets by zoning and permitting regulations and high transportation costs. Our reserves are strategically located throughout the United States in high-growth areas that will require large amounts of aggregates to meet future construction demand. Aggregates operations have flexible production capabilities and, other than energy inputs required to process the materials, require virtually no other raw material other than aggregates reserves which we own or control by leases. Our downstream businesses (asphalt mix and concrete) use Vulcan-produced aggregates almost exclusively.

§ **TAKE ADVANTAGE OF BEING THE LARGEST PRODUCER**: Each aggregates operation is unique because of its location within a local market with particular geological characteristics. Every operation, however, uses a similar group of assets to produce saleable aggregates and provide customer service. Vulcan is the largest aggregates company in the U.S., whether measured by production or by revenues. Our 341 active aggregates facilities provide opportunities to standardize operating practices and procure equipment (fixed and mobile), parts, supplies and services in an efficient and cost-effective manner, both regionally and nationally. Additionally, we are able to share best practices across the organization and leverage our size for administrative support, customer service, accounting, accounts receivable and accounts payable, technical support and engineering.

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2. COAST-TO-COAST FOOTPRINT

Demand for construction aggregates correlates positively with changes in population growth, household formation and employment. We have pursued a strategy to increase our presence in metropolitan areas that are expected to grow the most rapidly.

3. PROFITABLE GROWTH

Our growth is a result of acquisitions, cost management and investment activities.

§ **STRATEGIC ACQUISITIONS:** Since becoming a public company in 1956, Vulcan has principally grown by mergers and acquisitions. For example, in 1999 we acquired CalMat Co., thereby expanding our aggregates operations into California and Arizona and making us one of the nation s leading producers of asphalt mix and ready-mixed concrete.

In 2007, we acquired Florida Rock Industries, Inc., the largest acquisition in our history. This acquisition expanded our aggregates business in Florida and other southeastern and Mid-Atlantic states, as well as adding to our ready-mixed concrete business and added cement manufacturing and distribution facilities in Florida.

In addition to these large acquisitions, we have completed many smaller acquisitions that have contributed significantly to our growth.

§ **REINVESTMENT OPPORTUNITIES WITH HIGH RETURNS:** During this decade, Moody s Analytics projects that 75% of the U.S. population growth will occur in Vulcan-served states. The close proximity of our production facilities and our aggregates reserves to this projected population growth creates many opportunities to invest capital in high-return projects projects that will add reserves, increase production capacity and improve costs.

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4. TIGHTLY MANAGED OPERATIONAL AND OVERHEAD COSTS

In a business where aggregates sell, on average, for approximately $10.00 per ton, we are accustomed to rigorous cost management throughout economic cycles. Small savings per ton add up to significant cost reductions. We are able to adjust production levels to meet varying market conditions without jeopardizing our ability to take advantage of future increased demand.

Our knowledgeable and experienced workforce and our flexible production capabilities have allowed us to manage operational and overhead costs aggressively during the prolonged recession. In addition to cost reduction steps taken in previous years, in 2012 we continued to control costs aggressively in our operations which improved our per-ton margins. As a result, our cash earnings for each ton of aggregates sold in 2012 was 27% higher than at the peak of demand in 2005 (refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for Non-GAAP disclosures). In 2012, we also reorganized our company structure enabling us to make significant reductions in our Selling, Administrative and General (SAG) expense.

5. EFFECTIVE LAND MANAGEMENT

We believe that effective land management is both a business strategy and a social responsibility that contributes to our success. Good stewardship requires the careful use of existing resources as well as long-term planning because mining, ultimately, is an interim use of the land. Therefore, we strive to achieve a balance between the value we create through our mining activities and the value we create through effective post-mining land management. We continue to expand our thinking and focus our actions on wise decisions regarding the life cycle management of the land we currently hold and will hold in the future.

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PRODUCT LINES

We have four reporting segments organized around our principal product lines:

§ aggregates

§ concrete

§ asphalt mix

§ cement

1. AGGREGATES

A number of factors affect the U.S. aggregates industry and our business including markets, reserves and demand cycles.

§ **LOCAL MARKETS:** Aggregates have a high weight-to-value ratio and, in most cases, must be produced near where they are used; if not, transportation can cost more than the materials rendering such material uncompetitive compared to locally produced materials. Exceptions to this typical market structure include areas along the U.S. Gulf Coast and the Eastern Seaboard where there are limited supplies of locally available high quality aggregates. We serve these markets from inland quarries shipping by barge and rail and from our quarry on Mexico s Yucatan Peninsula. We transport aggregates from Mexico to the U.S. principally on our three Panamax-class, self-unloading ships.

§ **DIVERSE MARKETS:** Large quantities of aggregates are used in virtually all types of public- and private-sector construction projects such as highways, airports, water and sewer systems, industrial manufacturing facilities, residential and nonresidential buildings. Aggregates also are used widely as railroad track ballast.

§ **LOCATION AND QUALITY OF RESERVES:** We currently have 15.0 billion tons of permitted and proven or probable aggregates reserves. The bulk of these reserves are located in areas where we expect greater than average rates of growth in population, jobs and households, which require new infrastructure, housing, offices, schools and other development. Such growth requires aggregates for construction. Zoning and permitting regulations in some markets have made it increasingly difficult for the aggregates industry to expand existing quarries or to develop new quarries. These restrictions could curtail expansion in certain areas, but they also could increase the value of our reserves at existing locations.

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§ **DEMAND CYCLES:** Long-term growth in demand for aggregates is largely driven by growth in population, jobs and households. While short- and medium-term demand for aggregates fluctuates with economic cycles, declines have historically been followed by strong recoveries, with each peak establishing a new historical high. In comparison to all other recent demand cycles, the current downturn has been unusually steep and long, making it difficult to predict the timing or strength of future recovery.

However, there are signs the current cyclical downturn is drawing to a close and a recovery in private construction is taking hold. Residential construction, as measured by housing starts, has bottomed out, and a sustained recovery appears to be underway. Since October 2011, year-over-year growth in trailing twelve month housing starts has been increasing. This is significant because housing contributes to Gross Domestic Product (GDP) in two basic ways: through fixed investment and through consumption spending and housing services. Residential investment, which includes construction of both new single-family and multi-family structures, has the most direct impact on construction activity. During the last four housing recoveries after economic downturns, increased construction activity in other end markets has followed growth in housing starts.

The diagram below depicts how housing starts can have a direct and indirect impact on the overall economy and construction end markets. Housing starts lead to growth in demand for private investment as well as initial and ongoing sources of tax revenue, both of which drive increased construction activity. Historically, housing has contributed 17% to 18% of GDP, according to the National Association of Home Builders.

In addition, the following factors influence the aggregates market:

§ **HIGHLY FRAGMENTED INDUSTRY:** The U.S. aggregates industry is composed of over 5,000 companies that manage almost 10,000 operations. This fragmented structure provides many opportunities for consolidation. Companies in the industry commonly enter new markets or expand positions in existing markets through the acquisition of existing facilities.

§ **RELATIVELY STABLE DEMAND FROM THE PUBLIC SECTOR:** Publicly funded construction activity has historically been more stable and less cyclical than privately funded construction, and generally requires more aggregates per dollar of construction spending. Private construction (primarily residential and nonresidential buildings) typically is more affected by general economic cycles than publicly funded projects (particularly highways, roads and bridges) which tend to receive more consistent levels of funding throughout economic cycles.

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§ **LIMITED PRODUCT SUBSTITUTION:** There are limited substitutes for quality aggregates. In urban locations, recycled concrete and asphalt have applications as a lower-cost alternative to virgin aggregates. However, many types of construction projects cannot be served by recycled concrete or asphalt but require the use of virgin aggregates to meet specifications and performance-based criteria for durability, strength and other qualities.

§ **WIDELY USED IN DOWNSTREAM PRODUCTS:** In the production process, aggregates are processed for specific applications or uses. Two products that use aggregates as a raw material are asphalt mix and ready-mixed concrete. By weight, aggregates comprise approximately 95% of asphalt mix and 78% of ready-mixed concrete.

§ **FLEXIBLE PRODUCTION CAPABILITIES:** The production of aggregates is a mechanical process in which stone is crushed and, through a series of screens, separated into various sizes depending on how it will be used. Production capacity can be flexible by adjusting operating hours to meet changing market demand.

§ **RAW MATERIAL INPUTS LARGELY UNDER OUR CONTROL:** Unlike typical industrial manufacturing industries, the aggregates industry does not require the input of raw material beyond owned or leased aggregates reserves. Stone, sand and gravel are naturally occurring resources. However, production does require the use of explosives, hydrocarbon fuels and electric power.

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OUR MARKETS

We focus on the U.S. markets with the greatest expected population growth and where construction is expected to expand. Because transportation is a significant part of the delivered cost of aggregates, our facilities are typically located in the markets they serve or with access to economical transportation to their markets. We serve both the public and the private sectors.

PUBLIC SECTOR

Public sector construction includes spending by federal, state, and local governments for highways, bridges and airports as well as other infrastructure construction for sewer and waste disposal systems, water supply systems, dams, reservoirs and other public construction projects. Construction for power plants and other utilities is funded from both public and private sources. In 2012, publicly funded construction accounted for approximately 54% of our total aggregates shipments.

¡ **PUBLIC SECTOR FUNDING:** Generally, public sector construction spending is more stable than private sector construction because public sector spending is less sensitive to interest rates and has historically been supported by multi-year legislation and programs. For example, the federal transportation bill is a principal source of funding for public infrastructure and transportation projects. For over two decades, a portion of transportation projects has been funded through a series of multi-year bills. The long-term aspect of these bills is critical because it provides state departments of transportation with the ability to plan and execute long-term and complex highway projects. Federal highway spending is governed by multi-year authorization bills and annual budget appropriations using funds largely from the Federal Highway Trust Fund. This Trust Fund receives funding from taxes on gasoline and other levies. The level of state spending on infrastructure varies across the United States and depends on individual state needs and economies. In 2012, approximately 30% of our aggregates sales by volume were used in highway construction projects.

¡ **FEDERAL HIGHWAY FUNDING:** In June 2012, Congress passed MAP-21, a new multi-year highway bill. There was overwhelming bipartisan support for this legislation in both the House and the Senate, and it was signed into law by the President on July 6, 2012. This bill provides state departments of transportation with the funding certainty to move forward on infrastructure programs, and it helps rebuild America s aging infrastructure by modernizing and reforming our current transportation system, while also protecting millions of jobs.

MAP-21 maintains essentially level funding for the next two fiscal years, with approximately $105 billion for total funding through Fiscal Year 2014. It extends the Highway Trust Fund and tax collections through Fiscal Year 2016 adding additional stability to the Federal Highway Program. The bill s substantial highway provisions are more reform-focused than previous bills, with a strong emphasis on improving project delivery and eliminating red tape that has slowed the construction of highway projects. Funding directly for highways provides a floor of $82 billion for Fiscal Years 2013 and 2014. On top of this, there is a very significant increase in the Transportation Infrastructure Finance & Innovation Act (TIFIA) program. Funding for this program will increase to $1.75 billion over the next two-year period from $122 million per year under the previous multi-year highway bill known as SAFETEA-LU. TIFIA funding is typically leveraged by a factor of 10, so that there is the potential for $17.5 billion in additional major project funding for Fiscal Years 2013 and 2014. The U.S. Department of Transportation estimates this new TIFIA funding will support $30 to $50 billion in new construction. However, given administrative requirements and other factors, it is expected that TIFIA will not have a meaningful impact on aggregates shipments until 2014 and beyond.

TIFIA is a highly popular program that stimulates private capital investment for projects of national or regional significance in key growth areas throughout the United States, including large portions of our footprint. The program provides credit assistance in the form of secured loans, loan guarantees and lines of credit to major transportation infrastructure projects. Eligible sponsors for TIFIA projects include state and local governments, private firms, special authorities and transportation improvement districts. Eligible projects include highways and bridges, large multi-modal projects, as well as freight transfer and transit facilities. We are well positioned in states that are likely to get a disproportionate number of TIFIA-funded projects.

Overall, MAP-21 creates a positive framework for future authorizations through its significant reforms, consolidating and simplifying federal highway programs, accelerating the project delivery process, expanding project financing and promoting public-private partnership opportunities. The fact that Congress was able to pass the bill given the political climate in Washington, maintaining funding levels while also adding an additional year of program funding beyond what

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was expected, has its own significance and makes us even more optimistic about the ability of Congress to continue to work towards long-term solutions that will rebuild America s infrastructure.

PRIVATE SECTOR

The private sector markets include both nonresidential building construction and residential construction and is considerably more cyclical than public construction. In 2012, privately-funded construction accounted for approximately 46% of our total aggregates shipments.

¡ **NONRESIDENTIAL CONSTRUCTION:** Private nonresidential building construction includes a wide array of projects. Such projects generally are more aggregates intensive than residential construction. Overall demand in private nonresidential construction generally is driven by job growth, vacancy rates, private infrastructure needs and demographic trends. The growth of the private workforce creates demand for offices, hotels and restaurants. Likewise, population growth generates demand for stores, shopping centers, warehouses and parking decks as well as hospitals, churches and entertainment facilities. Large industrial projects, such as a new manufacturing facility, can increase the need for other manufacturing plants to supply parts and assemblies. Construction activity in this end market is influenced by a firm s ability to finance a project and the cost of such financing.

Consistent with past cycles of private sector construction, private nonresidential construction activity remained strong after residential construction peaked in 2006. Contract awards are a leading indicator of future construction activity and a continuation of the recent trend in awards should translate to growth in demand for aggregates. However, in late 2007, contract awards for private nonresidential buildings peaked. In 2008, contract awards in the U.S. declined 23% from the prior year and in 2009 fell sharply, declining 54% from 2008 levels. However, after bottoming in 2010, trailing twelve-month contract awards for private nonresidential buildings began to improve in 2011, ending the year up 16% from 2010 levels. In 2012, private nonresidential building awards grew another 14%, which was entirely attributable to strength in contract awards for stores and office buildings, up 34% and 17%, respectively. Employment growth, more attractive lending standards and general recovery in the economy will help drive continued growth in construction activity in this end market.

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¡ **RESIDENTIAL CONSTRUCTION:** The majority of residential construction is for single-family houses with the remainder consisting of multi-family construction (i.e., two family houses, apartment buildings and condominiums). Public housing comprises only a small portion of housing demand. Household formations in our markets continue to outpace household formations in the rest of the U.S. Construction activity in this end market is influenced by the cost and availability of mortgage financing. Demand for our products generally occurs early in the infrastructure phase of residential construction and later as part of driveways or parking lots.

U.S. housing starts, as measured by McGraw-Hill data, peaked in early 2006 at over 2 million units annually. By the end of 2009, total housing starts had declined to less than 600,000 units, well below prior historical lows of approximately 1 million units annually. In 2012, total housing starts increased to 783,000 units annually. The growth in residential construction bodes well for continued recovery in our markets.

ADDITIONAL AGGREGATES PRODUCTS AND MARKETS

We sell aggregates that are used as ballast to railroads for construction and maintenance of railroad tracks. We also sell riprap and jetty stone for erosion control along waterways. In addition, stone can be used as a feedstock for cement and lime plants and for making a variety of adhesives, fillers and extenders. Coal-burning power plants use limestone in scrubbers to reduce harmful emissions. Limestone that is crushed to a fine powder can be sold as agricultural lime.

Our Brooksville, Florida calcium plant produces calcium products for the animal feed, paint, plastics, water treatment and joint compound industries. This facility is supplied with high quality calcium carbonate material mined at the Brooksville quarry.

We sell a relatively small amount of construction aggregates outside of the United States, principally in the areas surrounding our large quarry on the Yucatan Peninsula in Mexico. Nondomestic sales and long-lived assets outside the United States are reported in Note 15 Segment Reporting in Item 8 Financial Statements and Supplementary Data.

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OUR COMPETITIVE ADVANTAGES

The competitive advantages of our aggregates focused strategy include:

COAST-TO-COAST FOOTPRINT

- largest aggregates company in the U.S.
- high-growth markets requiring large amounts of aggregates to meet construction demand
- diversified regional exposure
- benefits of scale in operations, procurement and administrative support
- complementary asphalt mix, concrete and cement businesses in select markets
- promotion of effective land management

PROFITABLE GROWTH

- quality top-line growth that converts to higher-margin earnings and cash flow generation
- tightly managed operational and overhead costs
- more opportunities to manage our portfolio of locations to further enhance long-term earnings growth

STRATEGICALLY LOCATED ASSETS

- our reserves are located in high-growth markets that require large amounts of aggregates to meet construction demand
- zoning and permitting regulations in many metropolitan markets have made it increasingly difficult to expand existing quarries or to develop new quarries
- such regulations, while potentially curtailing expansion in certain areas, could also increase the value of our reserves at existing locations

2. CONCRETE

We produce and sell ready-mixed concrete in California, Florida, Georgia, Maryland, Texas, Virginia and the District of Columbia. Additionally, we produce and sell, in a limited number of these markets, other concrete products such as block. We also resell purchased building materials for use with ready-mixed concrete and concrete block.

This segment relies on our reserves of aggregates, functioning essentially as a customer to our aggregates operations. Aggregates are a major component in ready-mixed concrete, comprising approximately 78% by weight of this product. We meet the aggregates requirements of our Concrete segment almost wholly through our Aggregates segment. These product transfers are made at local market prices for the particular grade and quality of material required.

We serve our Concrete segment customers from our local production facilities or by truck. Because ready-mixed concrete hardens rapidly, delivery typically is within close proximity to the producing facility.

Ready-mixed concrete production also requires cement. In the Florida market, cement requirements for ready-mixed concrete production are supplied substantially by our Cement segment. In other markets, we purchase cement from third-party suppliers. We do not anticipate any material difficulties in obtaining the raw materials necessary for this segment to operate.

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3. ASPHALT MIX

We produce and sell asphalt mix in Arizona, California, and Texas. This segment relies on our reserves of aggregates, functioning essentially as a customer to our aggregates operations. Aggregates are a major component in asphalt mix, comprising approximately 95% by weight of this product. We meet the aggregates requirements for our Asphalt Mix segment almost wholly through our Aggregates segment. These product transfers are made at local market prices for the particular grade and quality of material required.

Because asphalt mix hardens rapidly, delivery typically is within close proximity to the producing facility. The asphalt mix production process requires liquid asphalt cement, which we purchase entirely from third-party producers. We do not anticipate any material difficulties in obtaining the raw materials necessary for this segment to operate. We serve our Asphalt Mix segment customers from our local production facilities.

4. CEMENT

Our Newberry, Florida cement plant produces Portland and masonry cement that we sell in both bulk and bags to the concrete products industry. Our Tampa, Florida distribution facility can import and export cement and slag. Cement can be resold, blended, bagged, or reprocessed into specialty cements that we then sell. The slag is ground and sold in blended or unblended form.

The Cement segment s largest single customer is our own ready-mixed concrete operations within the Concrete segment.

An expansion of production capacity at our Newberry, Florida cement plant was completed in 2010. Total annual production capacity is 1.6 million tons per year. This plant is supplied by limestone mined at the facility. These limestone reserves total 189.8 million tons.

OTHER BUSINESS-RELATED ITEMS

SEASONALITY AND CYCLICAL NATURE OF OUR BUSINESS

Almost all of our products are produced and consumed outdoors. Seasonal changes and other weather-related conditions can affect the production and sales volumes of our products. Therefore, the financial results for any quarter do not necessarily indicate the results expected for the year. Normally, the highest sales and earnings are in the third quarter and the lowest are in the first quarter because of winter weather in the first quarter. Furthermore, our sales and earnings are sensitive to national, regional and local economic conditions and particularly to cyclical swings in construction spending, primarily in the private sector. The levels of construction spending are affected by changing interest rates and demographic and population fluctuations.

CUSTOMERS

No material part of our business is dependent upon any single customer whose loss would have an adverse effect on our business. In 2012, our top five customers accounted for 5.6% of our total revenues (excluding internal sales), and no single customer accounted for more than 1.4% of our total revenues. Our products typically are sold to private industry and not directly to governmental entities. Although approximately 45% to 55% of our aggregates shipments have historically been used in publicly funded construction, such as highways, airports and government buildings, relatively insignificant sales are made directly to federal, state, county or municipal governments/agencies. Therefore, although reductions in state and federal funding can curtail publicly funded construction, our business is not directly subject to renegotiation of profits or termination of contracts with state or federal governments.

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ENVIRONMENTAL COSTS AND GOVERNMENTAL REGULATION

Our operations are subject to numerous federal, state and local laws and regulations relating to the protection of the environment and worker health and safety; examples include regulation of facility air emissions and water discharges, waste management, protection of wetlands, listed and threatened species, noise and dust exposure control for workers, and safety regulations under both MSHA and OHSA. Compliance with these various regulations requires a substantial capital investment, and ongoing expenditures for the operation and maintenance of systems and implementation of programs. We estimate that capital expenditures for environmental control facilities in 2013 and 2014 will be approximately $11.4 million and $17.1 million, respectively. These anticipated expenditures are not expected to have any material impact on our earnings or competitive position.

Frequently, we are required by state and local regulations or contractual obligations to reclaim our former mining sites. These reclamation liabilities are recorded in our financial statements as a liability at the time the obligation arises. The fair value of such obligations is capitalized and depreciated over the estimated useful life of the owned or leased site. The liability is accreted through charges to operating expenses. To determine the fair value, we estimate the cost for a third party to perform the legally required reclamation, which is adjusted for inflation and risk and includes a reasonable profit margin. All reclamation obligations are reviewed at least annually. Reclaimed quarries often have potential for use in commercial or residential development or as reservoirs or landfills. However, no projected cash flows from these anticipated uses have been considered to offset or reduce the estimated reclamation liability.

For additional information regarding reclamation obligations (referred to in our financial statements as asset retirement obligations), see Notes 1 and 17 to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data.

PATENTS AND TRADEMARKS

We do not own or have a license or other rights under any patents, registered trademarks or trade names that are material to any of our reporting segments.

OTHER INFORMATION REGARDING VULCAN

Vulcan is a New Jersey corporation incorporated on February 14, 2007, while its predecessor company was incorporated on September 27, 1956. Our principal sources of energy are electricity, diesel fuel, natural gas and coal. We do not anticipate any difficulty in obtaining sources of energy required for operation of any of our reporting segments in 2013.

As of January 1, 2013, we employed 6,727 people in the U.S. Of these employees, 613 are represented by labor unions. As of that date, outside of the U.S., we employed 300 people in Mexico and one in the Bahamas, 235 of whom are represented by a labor union. We do not anticipate any significant issues with any unions in 2013.

We do not consider our backlog of orders to be material to, or a significant factor in, evaluating and understanding our business.

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EXECUTIVE OFFICERS OF THE REGISTRANT

The names, positions and ages, as of February 20, 2013, of our executive officers are as follows:

Name	Position	Age
Donald M. James	Chairman and Chief Executive Officer	64
Daniel F. Sansone	Executive Vice President and Chief Financial Officer	60
Danny R. Shepherd	Executive Vice President and Chief Operating Officer	61
Michael R. Mills	Senior Vice President and General Counsel	52
J. Wayne Houston	Senior Vice President, Human Resources	63
Ejaz A. Khan	Vice President, Controller and Chief Information Officer	55
Stanley G. Bass	Senior Vice President Central and West Regions	51
J. Thomas Hill	Senior Vice President South Region	53
John R. McPherson	Senior Vice President East Region	44

The principal occupations of the executive officers during the past five years are set forth below:

Donald M. James was named Chief Executive Officer and Chairman of the Board of Directors in 1997.

Daniel F. Sansone was elected Executive Vice President and Chief Financial Officer as of February 1, 2011. Prior to that, he served as Senior Vice President and Chief Financial Officer from May 2005.

Danny R. Shepherd was elected Executive Vice President and Chief Operating Officer as of November 1, 2012. He most recently served as Executive Vice President, Construction Materials from February 1, 2011. Prior to that, he was Senior Vice President, Construction Materials East from February 2007.

Michael R. Mills was appointed Senior Vice President and General Counsel as of November 1, 2012. He most recently served as Senior Vice President East Region from December 2011. Prior to that, he was President, Southeast Division.

J. Wayne Houston was elected Senior Vice President, Human Resources in February 2004.

Ejaz A. Khan was elected Vice President and Controller in February 1999. He was appointed Chief Information Officer in February 2000.

Stanley G. Bass was appointed Senior Vice President Central and West Regions as of February 1, 2013. He served as Senior Vice President Central Region from December 9, 2011 to February 1, 2013. Before that he served as President, Midsouth and Southwest Divisions from September 2010 to December 2011. Prior to that, he was President, Midsouth Division from August 2005 to August 2010.

J. Thomas Hill was appointed Senior Vice President South Region as of December 9, 2011. He most recently served as President, Florida Rock Division from September 2010 to December 2011. Prior to that, he was President, Southwest Division from July 2004 to August 2010.

John R. McPherson was appointed Senior Vice President East Region as of November 1, 2012. He most recently served as Senior Vice President, Strategy and Business Development. Before joining Vulcan in October 2011, Mr. McPherson was a senior partner at McKinsey & Company, a global management consulting firm from 1995 to 2011.

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SHAREHOLDER RETURN PERFORMANCE PRESENTATION

Below is a graph comparing the performance of our common stock, with dividends reinvested, to that of the Standard & Poor s 500 Stock Index (S&P 500) and the Materials and Services Sector of the Wilshire 5000 Index (Wilshire 5000 M&S) from December 31, 2007 to December 31, 2012. The Wilshire 5000 M&S is a market capitalization weighted sector containing public equities of firms in the Materials and Services sector, which includes our company and approximately 1,200 other companies.

INVESTOR INFORMATION

We make available on our website, *www.vulcanmaterials.com*, free of charge, copies of our:

¡ Annual Report on Form 10-K

¡ Quarterly Reports on Form 10-Q

¡ Current Reports on Form 8-K

We also provide amendments to those reports filed with or furnished to the Securities and Exchange Commission (the SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as well as all Forms 3, 4 and 5 filed with the SEC by our executive officers and directors, as soon as the filings are made publicly available by the SEC on its EDGAR database (*www.sec.gov*).

The public may read and copy materials filed with the SEC at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D. C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K, including financial statements, by writing to Jerry F. Perkins Jr., Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

We have a:

¡ Business Conduct Policy applicable to all employees and directors

¡ Code of Ethics for the CEO and Senior Financial Officers

Copies of the Business Conduct Policy and the Code of Ethics are available on our website under the heading Corporate Governance. If we make any amendment to, or waiver of, any provision of the Code of Ethics, we will disclose such information on our website as well as through filings with the SEC.

Our Board of Directors has also adopted:

¡ Corporate Governance Guidelines

¡ Charters for its Audit, Compensation and Governance Committees

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These documents meet all applicable SEC and New York Stock Exchange regulatory requirements.

Each of these documents is available on our website under the heading, Corporate Governance, or you may request a copy of any of these documents by writing to Jerry F. Perkins Jr., Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

ITEM 1A
RISK FACTORS

An investment in our common stock involves risks. You should carefully consider the following risks, together with the information included in or incorporated by reference in this report, before deciding whether an investment in our common stock is suitable for you. If any of these risks actually occurs, our business, results of operations or financial condition could be materially and adversely affected. In such an event, the trading prices of our common stock could decline and you might lose all or part of your investment. The following is a list of our risk factors.

FINANCIAL/ACCOUNTING RISKS

Continued slow economic recovery in the construction industry may result in an impairment of our goodwill We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. While we have not identified any events or changes in circumstances since our annual impairment test on November 1, 2012 that indicate the fair value of any of our reporting units is below its carrying value, the timing of a sustained recovery in the construction industry may have a significant effect on the fair value of our reporting units. A significant decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, noncash write-down of goodwill that would reduce equity and result in an increase in our total debt as a percentage of total capital (41.6% as of December 31, 2012).

We incurred considerable short-term and long-term debt to finance the Florida Rock merger. This additional debt significantly increased our interest expense and debt service requirements The combination of this debt and our reduced operating cash flow over the last several years produced substantially higher financial leverage that has resulted in credit rating downgrades.

Our operating cash flow is burdened by substantial annual interest, and in some years, principal payments. Our ability to make scheduled interest and principal payments, or to refinance the maturing principal of debt, depends on our operating and financial performance. The ability to refinance maturing principal is also dependent upon the state of the capital markets. Operating and financial performance is, in turn, subject to general economic and business conditions, many of which are beyond our control.

Our debt instruments contain various reporting and financial covenants, as well as affirmative covenants (e.g., requirement to maintain proper insurance) and negative covenants (e.g., restrictions on lines of business). If we fail to comply with any of these covenants, the related debt could become due prior to its stated maturity, and our ability to obtain additional or alternative financing could be impaired.

Our new regional alignment and restructuring of our accounting and certain administrative functions may not yield the anticipated efficiencies and may result in a loss of key personnel In December 2011, we announced a major change in the structure of our business, going from eight geographical divisions to four regions. We have taken steps to consolidate the operations, sales, finance, accounting, human resources, engineering and geologic services functions. This consolidation is expected to reduce the cost of overhead support functions going forward. The administrative efficiencies which we believe will result from the consolidation may not be realized to the extent anticipated thereby reducing the operating income benefit. Additionally, key personnel may decide not to relocate and employees affected by the consolidation may leave us due to uncertainty prior to completing the transition efforts, which may slow the restructuring process and increase its cost.

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Our announced earnings growth initiatives, including a Profit Enhancement Plan and Planned Asset Sales, may not realize results to the desired degree or within the desired time period, and therefore the results of these initiatives may differ materially from those anticipated In February 2012, we announced a two-part initiative to accelerate earnings growth and improve our credit profile. This initiative included a plan to reduce costs and other earnings enhancements for a $100 million earnings effect over the subsequent 18 months. We also announced a plan to sell certain assets over 18 months ending July 2013 for net proceeds of $500 million. These anticipated results are subject to a number of execution risks that could result in actual results that are much lower than the anticipated results. Additionally, even if the results are achieved, it could take longer than the announced timeframe before such results may be realized.

Our industry is capital intensive, resulting in significant fixed and semi-fixed costs. Therefore, our earnings are highly sensitive to changes in volume Due to the high levels of fixed capital required for extracting and producing construction aggregates, both our dollar profits and our percentage of net sales (margin) could be negatively affected by decreases in volume.

We use estimates in accounting for a number of significant items. Changes in our estimates could adversely affect our future financial results As discussed more fully in Critical Accounting Policies under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, we use significant judgment in accounting for:

¡ goodwill and goodwill impairment

¡ impairment of long-lived assets excluding goodwill

¡ reclamation costs

¡ pension and other postretirement benefits

¡ environmental remediation liabilities

¡ claims and litigation including self-insurance

¡ income taxes

We believe we have sufficient experience and reasonable procedures to enable us to make appropriate assumptions and formulate reasonable estimates; however, these assumptions and estimates could change significantly in the future and could adversely affect our financial position, results of operations, or cash flows.

ECONOMIC/POLITICAL RISKS

Both commercial and residential construction are dependent upon the overall U.S. economy which has been recovering at a slow pace Commercial and residential construction levels generally move with economic cycles. When the economy is strong, construction levels rise and when the economy is weak, construction levels fall. The overall U.S. economy has been adversely affected by the recent recession. Although the U.S. economy is now in recovery, the pace of recovery is slow. Since construction activity generally lags the recovery after down cycles, construction projects have not returned to their pre-recession levels.

Low housing starts and general weakness in the housing market could continue to negatively affect demand for our products In most of our markets, sales volumes have been negatively impacted by foreclosures and a significant decline from peak housing starts in residential construction. Our sales volumes and earnings could continue to be depressed and negatively impacted by this segment of the market until residential construction sustains a significant recovery.

Changes in legal requirements and governmental policies concerning zoning, land use, environmental and other areas of the law may result in additional liabilities, a reduction in operating hours and additional capital expenditures Our operations are affected by numerous federal, state and local laws and regulations related to zoning, land use and environmental matters. Despite our compliance efforts, we have an inherent risk of liability in the operation of our business. These potential liabilities could have an adverse impact on our operations and profitability. In addition, our operations are subject to environmental, zoning and land use requirements and require numerous governmental approvals and permits, which often require us to make significant capital and maintenance and operating expenditures to comply with the applicable requirements. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations,

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may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede our opening new or expanding existing plants or facilities.

Climate change and climate change legislation or regulations may adversely impact our business A number of governmental bodies have introduced or are contemplating legislative and regulatory change in response to the potential impacts of climate change. Such legislation or regulation, if enacted, potentially could include provisions for a cap and trade system of allowances and credits or a carbon tax, among other provisions. The Environmental Protection Agency (EPA) promulgated a mandatory reporting rule covering greenhouse gas emissions from sources considered to be large emitters. The EPA has also promulgated a greenhouse gas emissions permitting rule, referred to as the Tailoring Rule, which requires permitting of large emitters of greenhouse gases under the Federal Clean Air Act. We have determined that our Newberry cement plant is subject to both the reporting rule and the permitting rule, although the impacts of the permitting rule are uncertain at this time. The first required greenhouse gas emissions report for the Newberry cement plant was submitted to the EPA on March 31, 2011.

Other potential impacts of climate change include physical impacts such as disruption in production and product distribution due to impacts from major storm events, shifts in regional weather patterns and intensities, and potential impacts from sea level changes. There is also a potential for climate change legislation and regulation to adversely impact the cost of purchased energy and electricity.

The impacts of climate change on our operations and the company overall are highly uncertain and difficult to estimate. However, climate change and legislation and regulation concerning greenhouse gases could have a material adverse effect on our future financial position, results of operations or cash flows.

GROWTH AND COMPETITIVE RISKS

Within our local markets, we operate in a highly competitive industry which may negatively impact prices, volumes and costs The construction aggregates industry is highly fragmented with a large number of independent local producers in a number of our markets. Additionally, in most markets, we also compete against large private and public companies, some of which are significantly vertically integrated. Therefore, there is intense competition in a number of markets in which we operate. This significant competition could lead to lower prices, lower sales volumes and higher costs in some markets, negatively affecting our earnings and cash flows. In certain markets, vertically integrated competitors have acquired a portion of our asphalt mix and ready-mixed concrete customers and this trend may accelerate.

Our long-term success depends upon securing and permitting aggregates reserves in strategically located areas. If we are unable to secure and permit such reserves it could negatively affect our earnings in the future Construction aggregates are bulky and heavy and, therefore, difficult to transport efficiently. Because of the nature of the products, the freight costs can quickly surpass the production costs. Therefore, except for geographic regions that do not possess commercially viable deposits of aggregates and are served by rail, barge or ship, the markets for our products tend to be localized around our quarry sites and are served by truck. New quarry sites often take years to develop, therefore our strategic planning and new site development must stay ahead of actual growth. Additionally, in a number of urban and suburban areas in which we operate, it is increasingly difficult to permit new sites or expand existing sites due to community resistance. Therefore, our future success is dependent, in part, on our ability to accurately forecast future areas of high growth in order to locate optimal facility sites and on our ability to secure operating and environmental permits to operate at those sites.

Our future growth depends in part on acquiring other businesses in our industry and successfully integrating them with our existing operations. If we are unable to integrate acquisitions successfully, it could lead to higher costs and could negatively affect our earnings The expansion of our business is dependent in part on the acquisition of existing businesses that own or control aggregates reserves. Disruptions in the availability of financing could make it more difficult to capitalize on potential acquisitions. Additionally, with regard to the acquisitions we are able to complete, our future results will be dependent in part on our ability to successfully integrate these businesses with our existing operations.

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PERSONNEL RISKS

Our business depends on a successful succession plan As a number of our long-serving top executives approach retirement age, effective succession planning has become very important to our long-term success. The Governance and Management Succession Committee of our Board of Directors as well as the full Board routinely reviews and updates the Company s management succession plan. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. Additionally, this change in management may be disruptive to our business and during the transition period there may be uncertainty among investors, vendors, customers and others concerning our future direction and performance.

Our future success greatly depends upon attracting and retaining qualified personnel, particularly in sales and operations A significant factor in our future profitability is our ability to attract, develop and retain qualified personnel. Our success in attracting qualified personnel, particularly in the areas of sales and operations, is affected by changing demographics of the available pool of workers with the training and skills necessary to fill the available positions, the impact on the labor supply due to general economic conditions, and our ability to offer competitive compensation and benefit packages.

The costs of providing pension and healthcare benefits to our employees have risen in recent years. Continuing increases in such costs could negatively affect our earnings The costs of providing pension and healthcare benefits to our employees have increased substantially over the past several years. We have instituted measures to help slow the rate of increase. However, if these costs continue to rise, we could suffer an adverse effect on our financial position, results of operations or cash flows.

OTHER RISKS

Weather can materially affect our operating results Almost all of our products are consumed outdoors in the public or private construction industry, and our production and distribution facilities are located outdoors. Inclement weather affects both our ability to produce and distribute our products and affects our customers short-term demand because their work also can be hampered by weather. Therefore, our financial results can be negatively affected by inclement weather.

Our products are transported by truck, rail, barge or ship, often by third-party providers. Significant delays or increased costs affecting these transportation methods could materially affect our operations and earnings Our products are distributed either by truck to local markets or by rail, barge or oceangoing vessel to remote markets. The costs of transporting our products could be negatively affected by factors outside of our control, including rail service interruptions or rate increases, tariffs, rising fuel costs and capacity constraints. Additionally, inclement weather, including hurricanes, tornadoes and other weather events, can negatively impact our distribution network.

We use large amounts of electricity, diesel fuel, liquid asphalt and other petroleum-based resources that are subject to potential supply constraints and significant price fluctuation, which could affect our operating results and profitability In our production and distribution processes, we consume significant amounts of electricity, diesel fuel, liquid asphalt and other petroleum-based resources. The availability and pricing of these resources are subject to market forces that are beyond our control. Our suppliers contract separately for the purchase of such resources and our sources of supply could be interrupted should our suppliers not be able to obtain these materials due to higher demand or other factors that interrupt their availability. Variability in the supply and prices of these resources could materially affect our operating results from period to period and rising costs could erode our profitability.

We are involved in a number of legal proceedings. We cannot predict the outcome of litigation and other contingencies with certainty We are involved in several complex litigation proceedings, some arising from our previous ownership and operation of our Chemicals business. Although we divested our Chemicals business in June 2005, we retained certain liabilities related to the business. As required by generally accepted accounting principles, we establish reserves when a loss is determined to be probable and the amount can be reasonably estimated. Our assessment of probability and loss estimates are based on the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of a loss contingency, and could result in an adverse effect on our financial position, results of operations or cash flows. For a description of our current significant legal proceedings see Note 12 Commitments and Contingencies in Item 8 Financial Statements and Supplementary Data.

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We are involved in certain environmental matters. We cannot predict the outcome of these contingencies with certainty We are involved in environmental investigations and cleanups at sites where we operate or have operated in the past or sent materials for recycling or disposal, primarily in connection with our divested Chemicals and Metals businesses. As required by generally accepted accounting principles, we establish reserves when a loss is determined to be probable and the amount can be reasonably estimated. Our assessment of probability and loss estimates are based on the facts and circumstances known to us at a particular point in time. Subsequent developments related to these matters may affect our assessment and estimates of loss contingency, and could result in an adverse effect on our financial position, results of operations or cash flows. For a description of our current significant environmental matters see Note 12 Commitments and Contingencies in Item 8 Financial Statements and Supplementary Data.

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ITEM 1B
UNRESOLVED STAFF COMMENTS

We have not received any written comments from the Securities and Exchange Commission staff regarding our periodic or current reports under the Exchange Act of 1934 that remain unresolved.

ITEM 2
PROPERTIES

AGGREGATES

As the largest U.S. producer of construction aggregates, we have operating facilities across the U.S. and in Mexico and the Bahamas. We principally serve markets in 19 states, the District of Columbia and the local markets surrounding our operations in Mexico and the Bahamas. Our primary focus is serving states and metropolitan markets in the U.S. that are expected to experience the most significant growth in population, households and employment. These three demographic factors are significant drivers of demand for aggregates.

Our current estimate of 15.0 billion tons of proven and probable aggregates reserves is essentially unchanged from 2011 as acquisition of new reserves offset production and divestures during the year. Estimates of reserves are of recoverable stone, sand and gravel of suitable quality for economic extraction, based on drilling and studies by our geologists and engineers, recognizing reasonable economic and operating restraints as to maximum depth of overburden and stone excavation, and subject to permit or other restrictions.

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Proven, or measured, reserves are those reserves for which the quantity is computed from dimensions revealed by drill data, together with other direct and measurable observations such as outcrops, trenches and quarry faces. The grade and quality of those reserves are computed from the results of detailed sampling, and the sampling and measurement data are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable, or indicated, reserves are those reserves for which quantity and grade and quality are computed partly from specific measurements and partly from projections based on reasonable, though not drilled, geologic evidence. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Reported proven and probable reserves include only quantities that are owned in fee or under lease, and for which all appropriate zoning and permitting have been obtained. Leases, zoning, permits, reclamation plans and other government or industry regulations often set limits on the areas, depths and lengths of time allowed for mining, stipulate setbacks and slopes that must be left in place, and designate which areas may be used for surface facilities, berms, and overburden or waste storage, among other requirements and restrictions. Our reserve estimates take into account these factors. Technical and economic factors also affect the estimates of reported reserves regardless of what might otherwise be considered proven or probable based on a geologic analysis. For example, excessive overburden or weathered rock, rock quality issues, excessive mining depths, groundwater issues, overlying wetlands, endangered species habitats, and rights of way or easements may effectively limit the quantity of reserves considered proven and probable. In addition, computations for reserves in-place are adjusted for estimates of unsaleable sizes and materials as well as pit and plant waste.

The 15.0 billion tons of estimated aggregates reserves reported at the end of 2012 include reserves at inactive and greenfield (undeveloped) sites. We reported proven and probable reserves of 15.0 billion tons at the end of 2011 using the same basis. The table below presents, by region, the tons of proven and probable aggregates reserves as of December 31, 2012 and the types of facilities operated.

	Aggregates Reserves	*Number of Aggregates Operating Facilities* [1]		
Region	*(billions of tons)*	*Stone*	*Sand and Gravel*	*Sales Yards*
Central	5.5	79	6	33
East [2]	6.4	70	3	24
South	2.1	19	12	13
West	1.0	3	21	1
Total	**15.0**	**171**	**42**	**71**

[1]*In addition to the facilities included in the table above, we operate 19 recrushed concrete plants which are not dependent on reserves.*

[2]*Includes 126.5 million tons of proven and probable reserves encumbered by the volumetric production payment (which includes an additional 16.7 million tons of possible reserves) as defined in Note 19 Acquisitions and Divestitures to the consolidated financial statements in Item 8 Financial Statements and Supplementary Data.*

Of the 15.0 billion tons of aggregates reserves, 8.5 billion tons or 57% are located on owned land and 6.5 billion tons or 43% are located on leased land.

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The following table lists our ten largest active aggregates facilities based on the total proven and probable reserves at the sites. None of our aggregates facilities, other than Playa del Carmen, contributed more than 5% to our net sales in 2012.

Location *(nearest major metropolitan area)*	*Reserves* *(millions of tons)*
Playa del Carmen (Cancun), Mexico	642.4
Hanover (Harrisburg), Pennsylvania	555.7
McCook (Chicago), Illinois	397.1
Dekalb (Chicago), Illinois	356.1
Gold Hill (Charlotte), North Carolina	292.7
Macon, Georgia	256.2
Rockingham (Charlotte), North Carolina	255.3
1604 Stone (San Antonio), Texas	227.0
Cabarrus (Charlotte), North Carolina	215.5
Elijay, Georgia	170.1

ASPHALT MIX, CONCRETE AND CEMENT

We also operate a number of facilities producing other products in several of our Regions:

Region[1]	Asphalt Mix Facilities	Concrete[2] Facilities	Cement[3] Facilities
East	0	41	0
South	9	64	3
West	23	12	0

[1] Central Region has no asphalt mix, concrete or cement facilities.

[2] Includes ready-mixed concrete, concrete block and other concrete products facilities.

[3] Includes one cement manufacturing facility, one cement import terminal, and a calcium plant.

The asphalt mix and concrete facilities are able to meet their needs for raw material inputs with a combination of internally sourced and purchased raw materials. Our Cement segment operates two limestone quarries in Florida which provide our cement production facility with feedstock materials.

Location	*Reserves*

	(millions of tons)
Newberry	189.8
Brooksville	5.7

HEADQUARTERS

Our headquarters are located in an office complex in Birmingham, Alabama. The office space is leased through December 31, 2023, with three five-year renewal periods thereafter, and consists of approximately 184,125 square feet. The annual rental cost for the current term of the lease is $3.4 million.

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ITEM 3
LEGAL PROCEEDINGS

We are subject to occasional governmental proceedings and orders pertaining to occupational safety and health or to protection of the environment, such as proceedings or orders relating to noise abatement, air emissions or water discharges. As part of our continuing program of stewardship in safety, health and environmental matters, we have been able to resolve such proceedings and to comply with such orders without any material adverse effects on our business.

We are a defendant in various lawsuits in the ordinary course of business. It is not possible to determine with precision the outcome of, or the amount of liability, if any, under these lawsuits, especially where the cases involve possible jury trials with as yet undetermined jury panels.

See Note 12 Commitments and Contingencies in Item 8 Financial Statements and Supplementary Data for a discussion of our material legal proceedings.

ITEM 4
MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 of this report.

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PART II

ITEM 5

MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange (ticker symbol VMC). As of February 14, 2013, the number of shareholders of record was 3,997. The prices in the following table represent the high and low sales prices for our common stock as reported on the New York Stock Exchange and the quarterly dividends declared by our Board of Directors in 2012 and 2011.

	Common Stock Prices		
	High	*Low*	*Dividends Declared*
2012			
First quarter	$48.09	$38.78	$0.01
Second quarter	43.91	32.31	0.01
Third quarter	49.99	35.69	0.01
Fourth quarter	53.85	44.19	0.01
2011			
First quarter	$47.18	$39.77	$0.25
Second quarter	46.80	36.51	0.25
Third quarter	39.99	27.44	0.25
Fourth quarter	45.00	25.06	0.01

The future payment of dividends is within the discretion of our Board of Directors and depends on our profitability, capital requirements, financial condition, debt levels, growth projects, business opportunities and other factors which our Board of Directors deems relevant. We are not a party to any contracts or agreements that currently materially limit our ability to pay dividends.

On February 8, 2013, our Board declared a dividend of one cent per share for the first quarter of 2013.

ISSUER PURCHASES OF EQUITY SECURITIES

We did not have any repurchases of stock during the fourth quarter of 2012. We did not have any unregistered sales of equity securities during the fourth quarter of 2012.

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ITEM 6
SELECTED FINANCIAL DATA

The selected earnings data, per share data and balance sheet data for each of the five most recent years ended December 31 set forth below, have been derived from our audited consolidated financial statements. The following data should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements in Item 8 Financial Statements and Supplementary Data.

As of and for the years ended December 31	***2012***	*2011*	*2010*	*2009*	*2008*
in millions, except per share data					
Net sales	**$2,411.2**	$2,406.9	$2,405.9	$2,543.7	$3,453.1
Gross profit	**$334.0**	$283.9	$300.7	$446.0	$749.7
Gross profit as a percentage of net sales	**13.9%**	11.8%	12.5%	17.5%	21.7%
Earnings (loss) from continuing operations [1]	**($53.9)**	($75.3)	($102.5)	$18.6	$3.4
Earnings (loss) on discontinued operations, net of tax [2]	**$1.3**	$4.5	$6.0	$11.7	($2.4)
Net earnings (loss)	**($52.6)**	($70.8)	($96.5)	$30.3	$0.9
Basic earnings (loss) per share					
Earnings from continuing operations	**($0.42)**	($0.58)	($0.80)	$0.16	$0.03
Discontinued operations	**0.01**	0.03	0.05	0.09	(0.02)
Basic net earnings (loss) per share	**($0.41)**	($0.55)	($0.75)	$0.25	$0.01
Diluted earnings (loss) per share					
Earnings from continuing operations	**($0.42)**	($0.58)	($0.80)	$0.16	$0.03
Discontinued operations	**0.01**	0.03	0.05	0.09	(0.02)
Diluted net earnings (loss) per share	**($0.41)**	($0.55)	($0.75)	$0.25	$0.01
Cash and cash equivalents	**$275.5**	$155.8	$47.5	$22.3	$10.2
Total assets	**$8,126.6**	$8,229.3	$8,339.5	$8,526.5	$8,909.3
Working capital	**$548.6**	$456.8	$191.4	($138.8)	($793.2)
Current maturities and short-term borrowings	**$150.6**	$134.8	$290.7	$621.9	$1,394.2
Long-term debt	**$2,526.4**	$2,680.7	$2,427.5	$2,116.1	$2,153.6
Equity	**$3,761.1**	$3,791.6	$3,955.8	$4,028.1	$3,529.8
Cash dividends declared per share	**$0.04**	$0.76	$1.00	$1.48	$1.96

[1] *Earnings from continuing operations during 2008 include an after tax goodwill impairment charge of $227.6 million, or $2.05 per diluted share, for our Cement segment.*

[2] *Discontinued operations include the results from operations attributable to our former Chemicals business.*

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EXECUTIVE SUMMARY

FINANCIAL SUMMARY FOR 2012

- Gross profit increased $50.2 million on flat revenues
- Gross profit margin as a percentage of net sales improved 2.1 percentage points (210 basis points)
- Aggregates segment gross profit margin as a percentage of segment revenues improved 2.7 percentage points (270 basis points) from the prior year due to lower unit cost of sales and higher pricing
  - Aggregates shipments declined 1% and pricing increased 2%
  - Aggregates segment cash gross profit per ton increased 5%
- Selling, Administrative and General (SAG) expenses were $259.1 million versus $290.0 million in the prior year
- Net loss improved by $18.2 million and Adjusted EBITDA increased $59.5 million
- Gross cash proceeds of $173.6 million were realized from asset sales
- We retired $134.8 million of debt as scheduled

KEY DRIVERS OF VALUE CREATION

** Source: Moody s Analytics*

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EARNINGS GROWTH INITIATIVES

In February 2012, our Board of Directors approved a two-part initiative to accelerate earnings and cash flow growth, improve our operating leverage, reduce overhead costs and strengthen our credit profile:

§ A Profit Enhancement Plan that includes cost reductions and other earnings enhancements intended to improve our run-rate profitability, as measured by EBITDA, by more than $100 million annually at current volumes. The Profit Enhancement Plan is focused on three areas sourcing, general & administrative costs and transportation/logistics. Including the $55 million run-rate benefit referable to our previously announced organizational restructuring and ERP and Shared Services Platforms, we expect to increase pretax earnings by $130 million in 2013 and $155 million in 2014 from 2011 levels.

§ Planned Asset Sales with targeted net proceeds of approximately $500 million from the sale of non-core assets. Through 2012, we have achieved $168.6 million of proceeds net of $5.0 million of transaction costs related to the sale of assets as outlined in Note 19 Acquisitions and Divestitures in Item 8 Financial Statements and Supplementary Data. The intended asset sales are consistent with our strategic focus on building leading aggregates positions in markets with above-average long-term demand growth. However, the ultimate composition and timing of such transactions is difficult to project. The proceeds of these sales, together with the increased earnings resulting from the Profit Enhancement Plan, will be used to strengthen our balance sheet, unlock capital for more productive uses, improve our operating results and create value for shareholders.

MARKET DEVELOPMENTS

We believe economic and construction-related fundamentals that drive demand for our products are continuing to improve from the historically low levels created by the economic downturn. The passage of the new federal highway bill in July 2012 is providing stability and predictability to future highway funding. Through the first three months of fiscal year 2013 (i.e., October December 2012), obligation of federal funds for future highway projects is up sharply versus the prior year, a positive indicator of growth in future contract awards. The large increase in TIFIA (Transportation Infrastructure Finance and Innovation Act) funding contained in the new highway bill should also positively impact demand going forward.

Leading indicators of private construction activity, specifically residential housing starts and contract awards for nonresidential buildings, continue to improve. Consequently, aggregates demand in private construction is growing. We are seeing tangible evidence of this growth in several key states, including Florida, Texas, California, Georgia and Arizona. Growth in residential construction has historically been a leading indicator of other construction end uses.

UNSOLICITED EXCHANGE OFFER

In December 2011, Martin Marietta commenced an unsolicited exchange offer for all outstanding shares of our common stock at a fixed exchange ratio of 0.50 shares of Martin Marietta common stock for each Vulcan common share and indicated its intention to nominate a slate of directors to our Board. After careful consideration, including a thorough review of the offer with its financial and legal advisors, our Board unanimously determined that Martin Marietta s offer was inadequate, substantially undervalued Vulcan, had substantial execution risk, and therefore was not in the best interests of Vulcan and its shareholders.

In May 2012, the Delaware Chancery Court ruled and the Delaware Supreme Court affirmed that Martin Marietta had breached two confidentiality agreements between the companies, and enjoined Martin Marietta for a period of four months from pursuing its exchange offer for our shares, prosecuting its proxy contest, or otherwise taking steps to acquire control of our shares or assets and from any further violations of the two confidentiality agreements between the parties. As a result of the court ruling, Martin Marietta withdrew its exchange offer and its board nominees.

In response to Martin Marietta s action, we incurred legal, professional and other costs of $43.4 million in 2012 and $2.2 million in 2011.

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Generally Accepted Accounting Principles (GAAP) does not define free cash flow, segment cash gross profit and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). Thus, free cash flow should not be considered as an alternative to net cash provided by operating activities or any other liquidity measure defined by GAAP. Likewise, segment cash gross profit and EBITDA should not be considered as alternatives to earnings measures defined by GAAP. We present these metrics for the convenience of investment professionals who use such metrics in their analyses and for shareholders who need to understand the metrics we use to assess performance and to monitor our cash and liquidity positions. The investment community often uses these metrics as indicators of a company s ability to incur and service debt. We use free cash flow, segment cash gross profit, EBITDA and other such measures to assess liquidity and the operating performance of our various business units and the consolidated company. Additionally, we adjust EBITDA for certain items to provide a more consistent comparison of performance from period to period and provide the earnings per share impact of these adjustments for the convenience of the investment community. We do not use these metrics as a measure to allocate resources. Reconciliations of these metrics to their nearest GAAP measures are presented below:

FREE CASH FLOW

Free cash flow is calculated by deducting purchases of property, plant & equipment from net cash provided by operating activities.

in millions	***2012***	*2011*	*2010*
Net cash provided by operating activities	**$ 238.5**	$ 169.0	$ 202.7
Purchases of property, plant & equipment	**(93.4)**	(98.9)	(86.3)
Free cash flow	**$ 145.1**	$70.1	$ 116.4

SEGMENT CASH GROSS PROFIT

Segment cash gross profit adds back noncash charges for depreciation, depletion, accretion and amortization to gross profit.

in millions, except per ton data	***2012***	*2011*	*2010*
Aggregates segment			
Gross profit	**$352.1**	$306.2	$320.2
Depreciation, depletion, accretion and amortization	**240.7**	267.0	288.6
Aggregates segment cash gross profit	**$592.8**	$573.2	$608.8
Sales tons	**141.0**	143.0	147.6
Aggregates segment cash gross profit per ton	**$4.21**	**$4.01**	**$4.12**
Concrete segment			
Gross profit	**($38.2)**	($43.4)	($45.0)
Depreciation, depletion, accretion and amortization	**41.3**	47.7	50.5
Concrete segment cash gross profit	**$3.1**	$4.3	$5.5
Asphalt Mix segment			
Gross profit	**$22.9**	$25.6	$29.3
Depreciation, depletion, accretion and amortization	**8.7**	7.7	8.4
Asphalt Mix segment cash gross profit	**$31.6**	$33.3	$37.7
Cement segment			
Gross profit	**($2.8)**	($4.5)	($3.8)
Depreciation, depletion, accretion and amortization	**18.1**	17.8	20.1
Cement segment cash gross profit	**$15.3**	$13.3	$16.3

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EBITDA AND ADJUSTED EBITDA

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization.

in millions	***2012***	*2011*	*2010*
Net loss	**($52.6)**	($70.8)	($96.5)
Benefit from income taxes	**(66.5)**	(78.5)	(89.7)
Interest expense, net of interest income	**211.9**	217.3	180.7
Earnings on discontinued operations, net of taxes	**(1.3)**	(4.5)	(6.0)
Depreciation, depletion, accretion and amortization	**332.0**	361.7	382.1
EBITDA	**$423.5**	$425.2	$370.6
Gain on sale of real estate and businesses	**($65.1)**	($42.1)	($39.5)
(Recovery from) charge for legal settlement	**0.0**	(46.4)	40.0
Restructuring charges	**9.5**	12.9	0.0
Exchange offer costs	**43.4**	2.2	0.0
Adjusted EBITDA	**$411.3**	$351.8	$371.1

EPS AND ADJUSTED EPS

EPS is an acronym for Earnings Per Share, a GAAP measure of performance. The table below adjusts this GAAP measure for the same items as noted in the Adjusted EBITDA table above.

	2012	*2011*	*2010*
Diluted Earnings (Loss) Per Share			
Net loss	**($0.41)**	($0.55)	($0.75)
Less: Discontinued operations earnings	**0.01**	0.03	0.05
Continuing operations loss	**($0.42)**	($0.58)	($0.80)
Gain on sale of real estate and businesses	**(0.30)**	(0.20)	(0.19)
(Recovery from) charge for legal settlement	**0.00**	(0.22)	0.19
Restructuring charges	**0.05**	0.06	0.00
Exchange offer costs	**0.20**	0.01	0.00
Adjusted EPS - continuing operations	**($0.47)**	($0.93)	($0.80)

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RESULTS OF OPERATIONS

Net sales and cost of goods sold exclude intersegment sales and delivery revenues and cost. This presentation is consistent with the basis on which we review our consolidated results of operations. We discuss separately our discontinued operations, which consists of our former Chemicals business.

The following table shows net earnings in relationship to net sales, cost of goods sold, operating earnings, EBITDA and Adjusted EBITDA.

CONSOLIDATED OPERATING RESULTS

For the years ended December 31	***2012***	*2011*	*2010*
in millions, except per share data			
Net sales	**$2,411.2**	$2,406.9	$2,405.9
Cost of goods sold	**2,077.2**	2,123.0	2,105.2
Gross profit	**$334.0**	$283.9	$300.7
Operating earnings (loss)	**$84.8**	$63.4	($14.5)
Loss from continuing operations before income taxes	**($120.4)**	($153.7)	($192.2)
Loss from continuing operations	**($53.9)**	($75.3)	($102.5)
Earnings on discontinued operations, net of income taxes	**1.3**	4.5	6.0
Net loss	**($52.6)**	($70.8)	($96.5)
Basic earnings (loss) per share			
Continuing operations	**($0.42)**	($0.58)	($0.80)
Discontinued operations	**0.01**	0.03	0.05
Basic net earnings (loss) per share	**($0.41)**	($0.55)	($0.75)
Diluted earnings (loss) per share			
Continuing operations	**($0.42)**	($0.58)	($0.80)
Discontinued operations	**0.01**	0.03	0.05
Diluted net earnings (loss) per share	**($0.41)**	($0.55)	($0.75)
EBITDA	**$423.5**	$425.2	$370.6
Adjusted EBITDA	**$411.3**	$351.8	$371.1

OPERATING LEVERAGE EMBEDDED IN OUR BUSINESS

The strong recovery in 2012 s gross profit demonstrates the operating leverage embedded in our business as demand recovers. We expect this momentum to continue in 2013 due primarily to an improving demand environment, continued improvement in pricing and our continued focus on:

§ reducing overhead costs through streamlined management structure

§ reducing debt

§ improving our liquidity position and earnings through divestitures of non-strategic assets or other strategic alternatives

Since 2007, we have invested $63.5 million to implement our new ERP and Shared Services platforms. We initiated the project to create a common platform for all systems that support our business, and have completed all of the major milestones for the project. These platforms are helping to streamline processes enterprise-wide and standardize administrative and support functions while providing enhanced flexibility to monitor and control costs.

These new platforms enabled us to consolidate our eight divisions into four regions, streamline our support functions, and reduce related positions and overhead costs resulting in annualized overhead cost savings of over $55 million. As a

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result of these restructuring initiatives, we incurred severance and other related charges of $10.0 million during 2012 and $13.0 million during 2011.

To position Vulcan for significant earnings growth, we remain focused on taking prudent steps to control costs. When prudent, we adjust our geographic footprint so as to focus on building leading aggregates positions in markets with above-average long-term demand growth.

We completed several transactions in 2012 that provided $173.6 million in gross cash proceeds. And, we continue to work on additional asset sales. However, the ultimate timing of such transactions is difficult to predict. We remain committed to completing transactions designed to strengthen our balance sheet, unlock capital for more productive uses, improve our operating results and create value for shareholders.

Results for 2012 were a net loss of $52.6 million, or $0.41 per diluted share, compared to a net loss of $70.8 million, or $0.55 per diluted share in 2011. Higher unit costs for diesel fuel and liquid asphalt resulted in higher pretax costs of $3.9 million and $10.7 million, respectively. Additionally, each year s results were impacted by discrete items as follows:

§ The 2012 results include a $65.1 million pretax gain on sale of real estate and businesses, a pretax charge of $9.6 million related to our restructuring and a pretax charge of $43.4 million related to the unsolicited exchange offer

§ The 2011 results include a $42.1 million pretax gain on sale of real estate and businesses, a $46.4 million recovery from legal settlement (settled in 2010 for $40.0 million, see Note 12 Commitments and Contingencies in Item 8 Financial Statements and Supplementary Data), a pretax charge of $12.9 million related to our restructuring and a pretax charge of $2.2 million related to the unsolicited exchange offer

§ The 2010 results include a $39.5 million pretax gain on sale of real estate and businesses and a $40.0 million charge for legal settlement

Year-over-year changes in earnings from continuing operations before income taxes are summarized below:

in millions				
	2010	($192.2)	*2011*	($153.7)
Higher (lower) aggregates earnings due to				
Lower volumes		(26.7)		(11.8)
Higher selling prices		17.6		27.2
Lower (higher) costs and other items		(4.9)		30.5
Higher concrete earnings		1.6		5.2
Lower asphalt mix earnings		(3.7)		(2.7)
Higher (lower) cement earnings		(0.7)		1.7
Lower selling, administrative and general expenses		37.5		30.9
Higher (lower) gain on sale of property, plant & equipment and businesses		(11.5)		20.7
Legal settlement - 2010 charge, 2011 insurance recovery		86.4		(46.4)
Lower (higher) restructuring charges		(13.0)		3.4
Higher exchange offer costs		(2.2)		(41.2)
Lower (higher) interest expense		(39.0)		7.6
All other		(2.9)		8.2
	2011	($153.7)	***2012***	**($120.4)**

OPERATING RESULTS BY SEGMENT

We present our results of operations by segment at the gross profit level. We have four reporting segments organized around our principal product lines: 1) Aggregates, 2) Concrete, 3) Asphalt Mix and 4) Cement. Management reviews earnings for the product line segments principally at the gross profit level.

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1. AGGREGATES

Our year-over-year aggregates shipments:

§ declined 1% in 2012

§ declined 3% in 2011

§ declined 2% in 2010

Several key states, including Florida and Texas, reported volume growth versus the prior year. Other markets in key states such as Virginia, North Carolina and Georgia were down modestly in 2012. Shipments in California were relatively flat versus the prior year. Less large-scale project work contributed to lower shipments in certain markets.

Our year-over-year freight-adjusted selling price for aggregates:

§ increased 2% in 2012

§ increased 1% in 2011

§ declined 2% in 2010

Nearly all of our markets realized increased pricing in 2012.

AGGREGATES REVENUES

in millions

AGGREGATES GROSS PROFIT AND CASH GROSS PROFIT

in millions

AGGREGATES UNIT SHIPMENTS

Customer and internal [1] tons, in millions

AGGREGATES SELLING PRICE AND CASH GROSS PROFIT PER TON

Freight-adjusted average sales price per ton [2]

[1] Represents tons shipped primarily to our downstream operations (i.e., asphalt mix and ready-mixed concrete)

[2] Freight-adjusted sales price is calculated as total sales dollars less freight to remote distribution sites divided by total sales units

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Aggregates segment gross profit increased $45.9 million from the prior year and gross profit margin as a percentage of segment revenues increased 2.7 percentage points (270 basis points). As shown on the chart on page 35, the increase in Aggregates segment gross profit resulted from lower costs and higher selling prices slightly offset by lower shipments. Most key labor productivity and energy efficiency metrics improved from the prior year, more than offsetting a 3% increase in the unit cost of diesel fuel.

Aggregates segment cash gross profit per ton increased 5% to $4.21 in 2012. This measure continues to improve from a cyclical low in the third quarter of 2011, reflecting the cumulative effect of our cost-control efforts and a disciplined approach to pricing during the downturn. These efforts are establishing unit profitability higher than in 2005, which was a peak year for volume, adding to the attractiveness of the earnings potential of our aggregates business.

2. CONCRETE

Our year-over-year ready-mixed concrete shipments:

§ increased 9% in 2012

§ declined 6% in 2011

§ declined 5% in 2010

The Concrete segment reported a loss of $38.2 million in 2012 compared to a loss of $43.4 million in 2011. Ready-mixed concrete shipments were up 9% benefitting from increased private construction activity while the average sales price was essentially flat, contributing to a $5.2 million improvement.

CONCRETE REVENUES

in millions

CONCRETE GROSS PROFIT AND

CASH GROSS PROFIT

in millions

3. ASPHALT MIX

Our year-over-year asphalt mix shipments:

§ declined 7% in 2012

§ increased 1% in 2011

§ declined 3% in 2010

Asphalt Mix segment gross profit of $22.9 million was down $2.7 million from the prior year. The average sales price for asphalt mix increased 1% from the prior year, offsetting some of the earnings effect of the 7% decline in shipments. The decline in shipments was due in part to less large project work in California in the second half of 2012 and the divestiture of our New Mexico asphalt mix business in the fourth quarter of 2011, partially offset by a 15% increase in our asphalt mix shipments in Texas. Materials margin remained steady despite lower volumes, finishing the year 3% higher than the prior year.

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ASPHALT MIX REVENUES

in millions

ASPHALT MIX GROSS PROFIT AND

CASH GROSS PROFIT

in millions

4. CEMENT

The $1.7 million improvement in the Cement segment s profitability resulted from an 18% increase in shipments and a 6% increase in pricing.

CEMENT REVENUES

in millions

CEMENT GROSS PROFIT AND

CASH GROSS PROFIT

in millions

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

in millions

SAG expenses decreased $30.9 million, or 11%, from 2011. This 2012 decrease resulted from lower spending in most major overhead categories, including savings from reduced employment levels. In 2011, we substantially completed the implementation of a multi-year project to replace our legacy information technology systems with new ERP and Shared Services platforms. These platforms are helping us streamline processes enterprise-wide and standardize administrative and support functions while providing enhanced flexibility to monitor and control costs. During 2012, we consolidated our eight divisions into four regions as part of an ongoing effort to reduce overhead costs, and we initiated a Profit Enhancement

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Plan that further leverages our streamlined management structure and substantially completed ERP and Shared Services platforms. These actions allowed us to achieve cost reductions and reduce overhead and administrative staff.

Our comparative total company employment levels at year end:

§ declined 9% in 2012

§ declined 7% in 2011

§ declined 4% in 2010

Severance charges included in SAG expenses were as follows: 2012 $0.9 million, 2011 $4.1 million and 2010 $6.9 million. Severance and other related restructuring charges not included in SAG expenses were as follows: 2012 $9.6 million and 2011 $13.0 million.

GAIN ON SALE OF PROPERTY, PLANT &

EQUIPMENT AND BUSINESSES, NET

in millions

The 2012 gain includes a $41.2 million pretax gain from the sale of reclaimed and surplus real estate, a $5.6 million pretax gain from the sale of a non-strategic aggregates production facility, a $12.3 million pretax gain from the sale of mitigation credits and a $6.0 million pretax gain on the sale of developed real estate. The 2011 gain includes a $39.7 million pretax gain associated with the sale of four aggregates facilities and a $0.6 million pretax gain associated with an exchange of assets (see Note 19 Acquisitions and Divestitures in Item 8 Financial Statements and Supplementary Data). The 2010 gain includes a $39.5 million pretax gain associated with the sale of three aggregates facilities.

INTEREST EXPENSE

in millions

Interest expense decreased $7.5 million from the 2011 level. This comparative decline resulted primarily from the $27.2 million of charges incurred in 2011 in connection with our debt refinancing (tender offer and debt retirement) partially offset by the effects of a higher level of fixed-rate debt stemming from the debt refinancing.

The 2011 increase in interest expense resulted primarily from our aforementioned debt refinancing completed in June. In addition to higher effective interest rates on the new debt, we incurred $27.2 million of charges in connection with our tender offer and debt retirement. These charges resulted from the $18.4 million difference between the purchase price and par value of the notes purchased in the tender offer, $0.7 million in transaction fees and $8.1 million of noncash write-offs of unamortized discounts, deferred financing costs and amounts in accumulated other comprehensive income (AOCI) related to the retired debt.

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INCOME TAXES

Our income tax benefit from continuing operations for the years ended December 31 is shown below:

dollars in millions	***2012***	*2011*